



GREATER ROCHESTER
INTERNATIONAL AIRPORT
2010-2011 ANNUAL REPORT

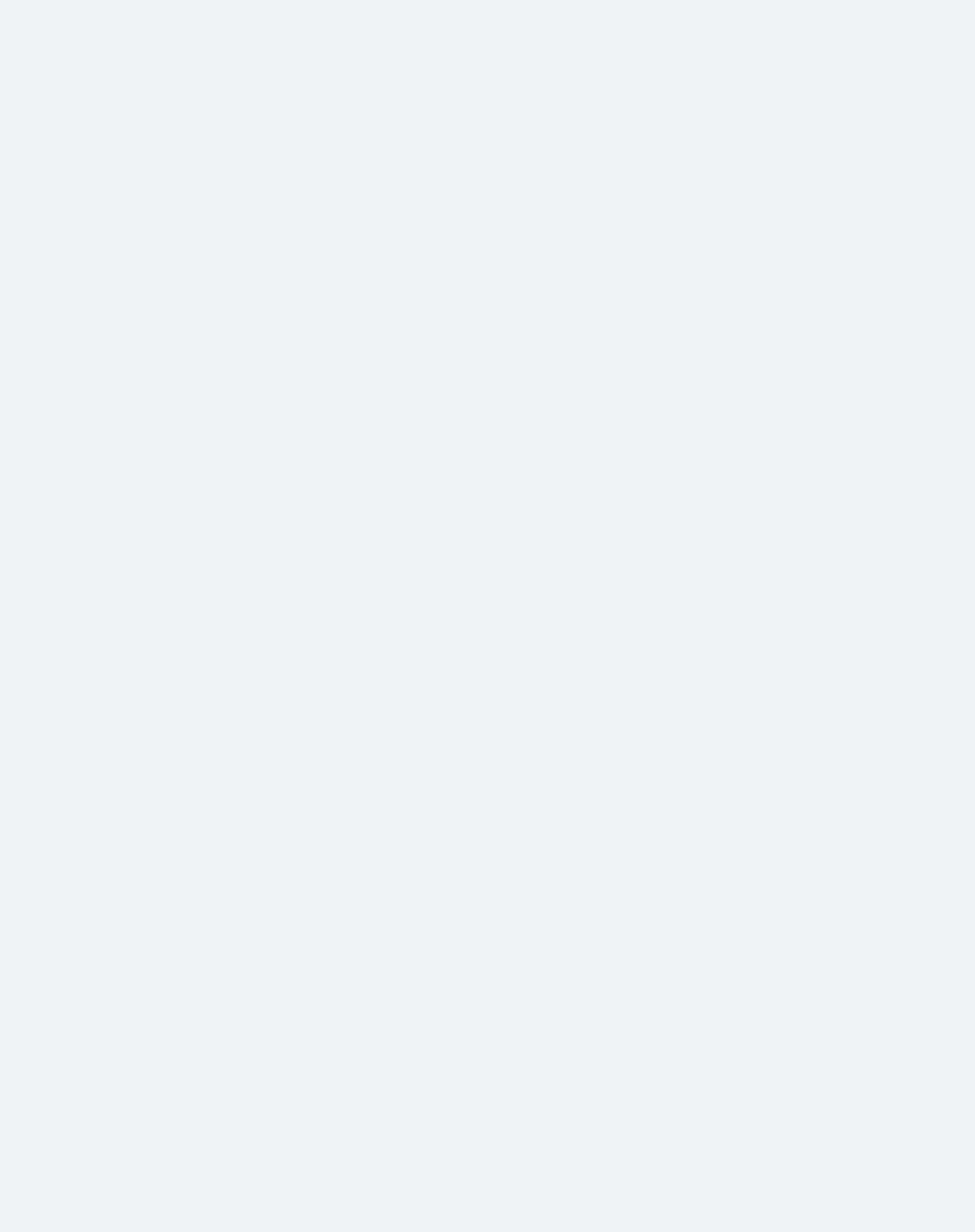
from

ROC

to ATLANTA BALTIMORE
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MINNEAPOLIS NYCLAGUARDIA
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everyday.





Monroe County Executive Letter •	4
Acting Director of Aviation Letter •	5
Airport Authority Board •	6
Employee Salute •	8
Statistics & Development •	9
Community Outreach •	10
Airfield & Terminal Construction •	11
Operating Results •	12
Financial Statements •	14



In its sixty-third year of operation, the Greater Rochester International Airport (ROC) continues to be our community's gateway to the world. As an important economic engine for local business in Monroe County, the Airport is responsible for creating and sustaining 10,000 jobs, generating \$295 million in income and contributing over \$800 million to our local economy each year.

Affordable air travel directly benefits employers in Monroe County by creating connections to world-wide markets and fostering an invaluable competitive edge in today's global economy. Because of this, the Airport is a critical component in our ongoing efforts to attract and retain jobs and investment in our community.

A study released in 2011 by the New York State Department of Transportation (NYSDOT) showed ROC's total economic impact has nearly doubled since 2003, solidifying the airport's role in enhancing local quality of life. The study also indicates that in comparison to its brethren New York State Thruway-located airports, ROC fared better in total economic impact to its local economy than both Albany International Airport and Syracuse Hancock International Airport.

Over the past decade, ROC has continued improvements to its already state-of-the-art facility, transforming it into a world-class center for air travel at no cost to local taxpayers. Featuring technologies that are on the cutting edge of passenger amenities and security, our Airport not only meets, but often exceeds, expectations that most travelers have for similarly sized airports. And these improvements have delivered real results - in 2011, passenger boardings at ROC totaled 1,209,746, while total passenger traffic for the year was over 2.4 million.

Maintaining close relations with air carriers and marketing additional service certainly paid off again in 2011. For the coming year, Delta Airlines will offer expanded service to the New York City market, the top destination for travelers departing from ROC, and Southwest Airlines will initiate a groundbreaking new commitment here, meaning ROC will become one of only 22 airports in the nation to receive expanded service as Southwest completes its merger with AirTran.

Even though the airline industry can be turbulent at times, the men and women who serve the Greater Rochester International Airport work diligently to control costs and maintain a competitive presence in Western New York. Moreover, Monroe County will continue to work closely with the airlines to ensure our local air service soars to new heights for years to come.

That's why, as Monroe County Executive, I am proud to call the Greater Rochester International Airport my hometown airport and our community's "Gateway to the World".

Maggie Brooks

MAGGIE BROOKS

MONROE COUNTY EXECUTIVE



In 2011, ROC took the initiative to further improve passenger convenience by unveiling a new mobile website interface, implementing green initiatives and continuing to serve as a model for passenger security and safety.

The creation of the ROC mobile website strengthens customer service and offers instant access to flight and airport information for on-the-go passengers – all through a simple click on a mobile device. The mobile website is compatible with all major mobile devices, including Android, iPhone and Blackberry. Airport and flight information is laid out in a user friendly format and provides passengers the ability to track arriving/departing flights, contact airlines, view ground transportation options, review parking information, choose between terminal amenities such as shops and restaurants, obtain driving directions and local hotel accommodations.

In today's global economy, it is necessary for Airports to participate in the latest mobile technology for our users. According to a FlightView survey administered in 2011, 65% of travelers ranked having a mobile-ready website as a critical feature for Airports.

Energy conservation, cutting costs and becoming more environmentally responsible became a common thread that was woven through various projects at ROC during 2011. The first project, completed in February 2011, consisted of the installation of two 50,000 watt arrays photovoltaic solar panels on the roof of the terminal building that turns sun into power and offsets electricity previously purchased from the municipal grid.

The project, funded in part with a New York Energy Research and Development Authority grant (NYSERDA) was designed for future expansion and has been projected to reduce ROC's carbon footprint by 68 tons of carbon dioxide per year. The system generated 90,000 kWh of electricity since its inception, equivalent to the electricity used to power about 14 average homes. Over its lifetime the panels are projected to save the Airport \$750,000. A similar project is planned for the Airport Ramp Garage in 2012.

ROC also replaced over 700 lights in the Ramp Parking Garage with energy efficient LED bulbs. The project will be expanded to more parking lots on our airport campus and is not only expected to reduce energy consumption by one-third but will also reduce Airport operational costs.

Two important safety and security advancements occurred at ROC during 2011. The first was the opening of a new Airport Emergency Operations Center (AEOC), located on Airport property, to provide public safety responders with a dedicated facility in an unprecedented state of readiness for emergencies on, or near the Airport. The AEOC is fully equipped with a tri-panel video wall for displaying Airport security camera footage, live TV feeds, technology to monitor incident status awareness, work stations for joint use by multiple public safety agencies, a press briefing room, a public information office, radio technology/communication systems and full secure online network for the Airport terminal. The AEOC facility was operational during the 2011 ESL International Airshow. Many of the building components were made from recycled and unused or leftover terminal building materials – an eco-friendly way to avoid added costs.

Finally, ROC is proud of the relationships we have developed with our business partners across time. In particular, ROC was one of the original Airports following 9/11 to participate in the Private Security Screening partnership overseen by the Transportation Security Administration (TSA). Again in 2011, ROC was the first Airport in New York State to receive the new software for the advanced imaging technology machines located in our passenger security checkpoint. The upgrade to these machines eliminated passenger specific images, which had in the past caused passenger concerns over privacy. The avatar image that is now displayed has enhanced privacy and comfort for our ROC passengers – while maintaining safety and security.

ROC, along with the Monroe County Airport Authority, made great progress in 2011. Our advances in mobile technology, green initiatives, safety and security continue to prepare our Airport for future growth.

ANGELA VELTRE
ACTING DIRECTOR OF AVIATION



AIRPORT AUTHORITY BOARD

The mission of the Monroe County Airport Authority “The Authority” is to ensure that the Greater Rochester International Airport (ROC) provides safe, efficient and economical air transportation for the traveling public and, as a result of doing so, promotes economic development, trade and tourism throughout the Rochester region. In furtherance of this mission the Authority continued to optimize the use of airport facilities in order to enhance and expand business development and to foster economic growth in our region throughout 2011.

Monroe County Executive Maggie Brooks launched a new level of accountability regarding spending policies. Strict oversight measures governing travel and business expenses were set in place during 2011. The reform measures are designed to guide and assist the Authority in maintaining the highest possible level of accountability, transparency and integrity in conducting Airport business. In addition, a resolution was adopted in 2011 requiring all board members to complete annual ethics training.

The 2011 adopted budget of \$34.4 million was a 2.5% increase over the 2010 adopted budget. The Board’s strong commitment to seeking new or additional non-airline revenue sources and exploring options to reduce operating costs remains steadfast and will continue into 2012. The Authority values its Airline partners and wants to demonstrate its commitment to the airlines by operating this facility as efficiently as possible while maintaining a superior level of safety and security.

The Authority was successful in reducing airfares, attracting new service and maintaining an affordable, convenient, state-of-the-art airport facility.

ROC was nationally recognized by Cheapflights.com as the 12th most affordable airport in the United States advancing two spots from 2010. The average domestic fare at ROC for 3rd Quarter 2011 data according to the United States Department of Transportation Bureau of Transportation Statistics (BTS) was below the national average at \$350.27 – this airfare average for ROC was less than the cost of flying from similar sized NY airports such as Albany (ALB) and Syracuse (SYR), at \$415.85 and \$422.72 respectively for the same time period.

Throughout 2011, the Airport remained dedicated to bringing additional service to ROC and worked diligently with Southwest Airlines as they move forward with their acquisition of AirTran Airways to ensure low-fare service remains here in ROC and at the forefront of Southwest’s route planning objectives.

Recently Delta Air Lines announced they would launch 4 non-stop flights per day from ROC to New York City’s LaGuardia Airport (LGA) to commence in early 2012. Nearly 20% of all flights departing out of ROC travel to the New York City market, making it the number one destination for travelers from this region. Delta’s commitment to ROC in adding the LGA service means more seats per day to New York City for area travelers, on larger aircraft (65 seat Canadair Regional Jet), at convenient times and using dual-class seating, an option many business travelers prefer.

Over 2.4 million passengers were served by ROC in 2011. Whether a guest is arriving or departing from our facility, our goal is to instill a positive and lasting impression. Improvements are continually being made to ensure each and every visitor to our airport enjoys a quality experience.

Lastly, ROC remains committed to the betterment of this community – our home. Our participation within the community is greater than just being a gateway for those arriving or departing. A generous portion of our 2011 ESL International Airshow proceeds, over \$18,000, benefited Honor Flight Rochester and Wounded Warrior Aviation in support of local veterans. ROC is the gateway used by our World War II veterans as they go to visit the World War II memorial in Washington, DC.

On behalf of ROC and the Monroe County Airport Authority we look forward to prosperous years to come and appreciate the support of all business partners we are so fortunate to work with in fulfillment of our mission.



DELTA

CONNECT

ROC takes pride in the fact that our employees strive to make every visitor's experience at our Airport a positive one. Providing a safe, secure and pleasant travel environment for passengers is our primary goal. ROC employees truly believe that efficient security screening and exemplary customer service are paramount and can co-exist. The Airport has been fortunate to work with exceptional security partners and their employees, including the Transportation

EMPLOYEE SALUTE

Security Administration (TSA), McNeil Security, Inc., and the Monroe County Sheriff's Office, whose professionalism and expertise help to make ROC a safe and user-friendly Airport.

Many of our ROC airline and car rental employees have worked at ROC their entire career and are often the first to greet ROC passengers. Their expertise and willingness to assist passengers with their Airport experience and journey are appreciated and representative of our community's welcoming characteristics.

THE AIRPORT FIRE DEPARTMENT & AEOC

The Airport Fire Department is dedicated to providing safe and reliable fire, emergency medical and rescue services to the traveling public and ROC employees 24 hours per day and 365 days per year. In 2011 the Airport Fire Department responded to 442 calls for service, a 23% increase over 2010 Airport Fire Department responses. All twenty-two of the Airport Fire Department members are trained Aircraft Rescue and Fire Fighting (ARFF) professionals and NYS Emergency Medical Technicians with Defibrillator training (EMT-D). All Airport Fire Department Personnel are trained in structural fire-fighting as well.

In July of 2011, ROC hosted the 2011 ESL Airshow featuring the U.S. Navy Blue Angels. Emergency planning with Monroe County and local emergency agencies began well in advance of the airshow in March 2011. Response planning, command and control plans for the air show were completed in June.

The new Airport Emergency Operations Center (AEOC) was used as the command center for emergency services. The new AEOC has served as a model for other emergency centers at airports and has been visited by many airports from around the state.

ROC boasts a highly trained and professional group of Airfield Operators that work tirelessly day in and day out to keep our runways free of debris, wildlife, and most importantly – snow and ice. In addition, our

diligent work force of building maintenance and building service employees keep the terminal operating in a clean and friendly fashion for all ROC visitors.

On behalf of the County of Monroe, the Monroe County Airport Authority Board, and the Airport Administration, we would like to extend our gratitude to all Airport employees for their dedication and commendable work done in 2011. The facility would not operate as efficiently as it does without the cooperation and devotion of all at ROC.



While passenger boardings in 2011 decreased, ROC saw the highest load factors on record at ROC and an increase in total aircraft operations.

Passenger boardings at ROC for 2011 reached 1,209,746. In total, over 2.4 million passengers used the facility for air travel in 2011. Enplanements for ROC were down 4.6% as compared to 2010. Total passenger boardings for 2011 were down 4.9% as compared to 2010.

2011 passenger shares per airline were as follows: Delta Air Lines 24.2%, AirTran Airways 18.85%, US Airways 18.69%, United Airlines 15.4%, JetBlue Airways 10.8%, Continental 7%, American Eagle 4.9% and Air Canada 0.3%.

The percentage of seats filled (airline load factors) increased in 2011, averaging 79.4 % compared to 77.9 % in 2010. This is the highest load factor ROC has had on record in the last ten years. In 2011, 44,820 tons of cargo passed through ROC compared to 49,031 tons for 2010.

The number of aircraft operations in 2011 increased as compared to 2010 totaling 104,433 which included commercial flights, military operations, corporate and general aviation. Air taxi and general aviation accounted for the majority of that increase.

ROC offered an average of 4,176 seats per day or 29,312 seats per week to nineteen airport destinations on eight carriers. In December 2011, Delta Air Lines announced new non-stop service to New York City's LaGuardia Airport (LGA) to commence in early 2012. The new non-stop flights add additional seats per day between ROC and our top destination for passengers departing – New York City.

In 2011 the current car rental concession contract expired and ROC retained a contractor to assist with developing a new car rental concession Request for Proposal (RFP) to retain car rental concessions at ROC. In September 2011, the MCAA authorized

ROC to execute car rental concession contracts with Hertz, Avis, National, Budget, Thrifty and Enterprise. The Airport receives a concession fee from the car rentals in the form of a minimal annual guarantee or 10% of the car rental concessions annual gross revenue, whichever is greater.

The Airport also entered into a contract for air service development initiatives out of ROC. As airlines continue to merge and acquire one another, ROC sees opportunities for service that may exist or ones that may be currently be under served. This partnership was successful in establishing lines of communication and new strategies for airline presentations and proposals.

Also in 2011, ROC joined the PASSUR National Field Condition Report Network, which consolidates airport conditions – including notice to airman (NOTAM) and critical non-NOTAM information for all participating airports onto a single screen. This provides new levels of automation and is available to airline system operation centers in the US and internationally as a standardized airport reporting platform. The system allows for streamlined communications between Airport Operations, air traffic control and our airline partners, particularly during rapidly changing weather conditions

The Airport acquired two new parking shuttle buses for our compressed natural gas (CNG) fleet and retired two diesel burning shuttle buses – another eco-friendly addition to ROC. Other upgrades to the parking operation during 2011 included a new and improved parking portion of the website that features an online parking calculator so passengers can calculate rates in advance of travel and plan the best option; improving the Airport Parking Rewards program so that passengers can manage their reward points online; and implementing an online valet parking reservations system.



STATISTICS & DEVELOPMENT



ROC dedicates much time and effort to public outreach within the community.

In an effort to promote awareness and education amongst travelers and spread knowledge to local youths about aviation, ROC hosts several community based happenings. Special events, facility tours and educational courses are some of the tools used to attain this goal.

AIRPORT TOURS

ROC averaged six tours of the facility each week in 2011. Tours can be tailored to age groups and are free to not-for-profit groups. Tours may include a look at the baggage handling system and security screening procedures as well as a behind the scenes visit to the Airport Communications Center, Airport's Sheriff Division, Regional Transportation Operations Center, New York Army National Guard Flight facility and the Airport Rescue and Firefighting facility.

SCOUT SLEEPOVERS

Along with the hundreds of daily tours that took place at the Airport in 2011, bi-monthly Scout Sleepovers were held at ROC in the International Arrivals Hall. Each scout sleepover consisted of approximately 70 Scouts and 15 Scout Leaders, parents and guardians! The participating Scouts get to meet local therapy canines, speak with security representatives and partake in a full terminal tour. They leave with knowledge to share with friends and family and earn the opportunity to achieve an Aviation Merit Badge.

FEARFUL FLYERS

The Airport continued to host the "Fearful Flyers" course in 2011 taught by Judith Johncox Willis, a local relaxation therapist and stress management consultant with over 35 years of experience. This is a unique program designed for those who suffer from fear of flying.

landings, plane construction, and boarding a parked plane to exercise learned skills and information.

An optional graduation flight to and from New York City is offered the day following completion of the course. This well-received program has drawn people from not only Rochester but surrounding areas including Buffalo, Syracuse and as far away as Chicago. In 2011, 17 individuals completed the Fearful Flyers course. To date, 20 courses have been completed with 184 attendees. Approximately 95% of the graduates have flown successfully on the graduation flight or privately planned trips. This past year the "farthest flying graduate" called in from Rome, Italy to celebrate her accomplishment of overcoming her fear of flying.

HONORING HEROES

ROC is one of ninety-nine established "hubs" in the national Honor Flight Network which was created to honor America's veterans for their sacrifices. The war heroes are flown to Washington, D.C. to visit and reflect at their memorials. It is free to all WWII veterans and to veterans from any era who suffer a terminal illness. ROC became a hub in June 2008 and has since hosted 20 missions flying 952 veterans to date. Honor Flight Rochester is slated to run six more missions in 2012.

Throughout 2011, ROC held airport presentations for small to medium business owners, travel groups, rotaries and other various community organizations to update them on Airport happenings and current travel procedures. This allowed the Airport the opportunity to discuss travel trends, transportation route desires and other topics pertaining to airlines that are critical to enhancing community support of air travel.

"TAKE YOUR CHILD TO WORK DAY"

Monroe County's annual "Take Your Child to Work Day," offered the children of County employees' an opportunity to tour our facility and learn about their parent's daily job responsibilities. In 2011 over 60 employees and their children participated, all of whom found the experience enjoyable and entertaining.

COMMUNITY OUTREACH

The course has become increasingly popular over the years and has assisted passengers in overcoming their uneasiness about flying. The program consists of four consecutive sessions on Wednesday evenings. The agenda includes a tour of the airport and a visit to the Airport Rescue and Fire Fighting (ARFF) Department, the Communications Center, an evening with a pilot discussing weather, air traffic control, radar, unfamiliar sounds in the plane, takeoffs,

Summer 2011 was an exciting time for special events at ROC. The Airport hosted the 12th annual Lifetime Assistance Foundation Airport 5K Benefit Run/Walk. Over the years, this community event has raised over \$300,000 for children and adults with development disabilities. Runners and walkers partake in one of the most unique races—one that takes place on an actual Airport runway!

10th ANNUAL ROCHESTER WINGS

The 10th annual Rochester Wings event, upstate New York's Largest General Aviation Expo, took place in June 2011. It offered a variety of activities, including safety seminars, discovery flights for students interested in aviation careers, flight instruction as part of the FAA Wings program, career seminars, and runway safety bus tours. The event was again sponsored by the Airport in an effort to continue to reduce runway incursions through pilot education.

2011 ESL INTERNATIONAL AIRSHOW

The apex of the summer's events was the 2011 ESL International Airshow which featured the U.S. Navy Blue Angels. The action packed weekend of July 16th & July 17th featured military and civilian aerobatic acts as well as an impressive static ground displays for all to enjoy. The Blue Angels headlined the show for the fifth time in ROC – and their famous precision flying team kept spectators at the edge of their seats. Proceeds from the show benefited Honor Flight Rochester and Wounded Warrior Aviation.



partners to better develop a plan that would keep one air carrier runway open at all times at a reduced length to accommodate airline and cargo operations.

The work was completed over a four day span in September 2011 with additional work including runway grooving and reinstallation of runway center lights completed at the end of October 2011. This project improved line of sight issues with Runway 4-22 and Runway 10-28 adhering to current Federal Aviation Administration (FAA) standards.

Rehabilitation of Taxiway L and preliminary phases of work for the Taxiway E and D project was also completed in 2011. Taxiway L was constructed in 1957 and had not been improved since 1991. The new pavement installed allows ROC to adjust present restrictions on aircraft weight/size using the 1400' long taxiway. LED edge lights and LED signs were utilized on this project as well.

All airfield construction projects described above were supported by FAA grants. No local tax dollars were spent on the airfield construction.

The final phase of the \$49 million Terminal Improvement Program design was completed in 2011 and advanced to public bidding for construction in 2012. These improvements include a complete renovation of the ticketing lobby. New airline gate counters and e-ticket check-in, as well as signage, lighting and passenger seating have been designed to facilitate passenger flow throughout the ticketing lobby and upper level roadway and provide additional leasable space for the airlines.

AIRFIELD &

In 2011, two major projects were completed to improve airfield safety by increasing the available length of Runway 10-28 from 5,500 feet to 6,400 feet. This included realigning Taxiway C and Taxiway B to new runway thresholds.

The Airport Engineer worked closely with our airline partners to develop a plan to complete necessary pavement rehabilitation and work at the intersection of Runway 4-22 (ROC's main runway) and Runway 10-28. The initial planning for the project originally included a complete shutdown of the air carrier runways for approximately three days. However, the Airport worked with our



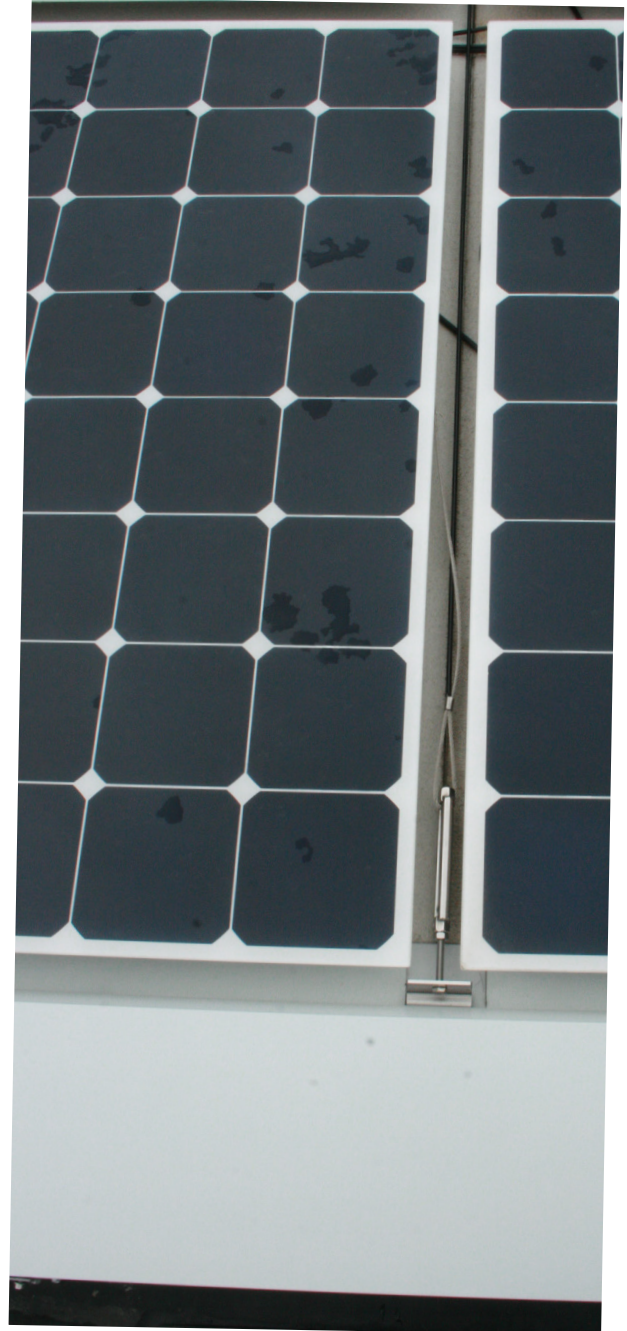
TERMINAL CONSTRUCTION



OPERATING

“The Authority” is a public benefit corporation created by the New York State Public Authorities Law to finance, construct, develop, operate and maintain aviation and other related facilities and services within the County of Monroe (County) and is a discretely presented component unit of the County. The Authority consists of seven members appointed by the County Executive (two of such members are appointed upon the written recommendation of the President of the County Legislature and one of such members is appointed upon the written recommendation of the Minority Leader of the County Legislature). All appointments are confirmed by the County Legislature. The Chairperson, James G. Vazzana, Esq. is appointed by the County Executive. The Director of Aviation has been appointed the Administrative Director of the Authority. The County’s Director of Finance Scott M. Adair, CPA serves as Treasurer of the Authority and County Attorney William K. Taylor, Esq. serves as Secretary of the Authority. Pursuant to a Lease and Operating Agreement between the Authority and the County dated September 15, 1989, the Authority leases the Greater Rochester International Airport (GRIA) from the County and the County operates GRIA for the Authority.

Operating revenues in 2011 totaled \$31.2 million. Landing fees and rental fees, including building rent, comprise 54% of the operating revenue at GRIA. The landing fee and rental revenues are the result of calculations pursuant to provisions of airline operating use and terminal building lease agreements. Revenue from non-airline sources such as car rental commissions, parking commissions, concessions and fuel farm commissions comprise the other 46%. Operating expenses in 2011 totaled \$24.8 million. Agreements with Monroe County for rent and operation and maintenance of the Airport facility account for 75% of the total operating expenses for 2011. Financial performance of an airport is measured by average cost per enplaned passenger. “Cost per enplanement” is calculated by dividing total fees paid by scheduled airlines by the number of passengers boarded. The cost per enplanement at GRIA for the year 2011 was \$11.99.



RESULTS



FINANCIAL STATEMENTS

**MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT
OF THE COUNTY OF MONROE, NEW YORK)**

**Financial Statements
As of December 31, 2011 and 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants



**MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	17 & 18
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	19-28
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010:	
Statements of Net Assets	29
Statements of Revenues, Expenses and Change in Net Assets	30
Statements of Cash Flows	31
Notes to Financial Statements	32-45
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	46 & 47

INDEPENDENT AUDITORS' REPORT

March 28, 2012

To the Members of
Monroe County Airport Authority:

We have audited the accompanying financial statements of the business-type activities of Monroe County Airport Authority (the Authority), a discretely presented component unit of the County of Monroe, New York, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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INDEPENDENT AUDITORS' REPORT (Continued)

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bonadio & Co., LLP

**MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011 AND 2010
(000's OMITTED)**

The Management's Discussion and Analysis (MD&A) of the Monroe County Airport Authority (the Authority) provides an introduction and overview of the financial statements of the Authority for the years ended December 31, 2011 and 2010. Following this MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when its related cash receipt or disbursement occurs.

The Statements of Net Assets depict the Authority's financial position at December 31, the end of the Authority's fiscal year. The statements present all the financial assets and liabilities of the Authority. Net assets represent the Authority's assets after liabilities are deducted.

The Statements of Revenues, Expenses and Changes in Net Assets report operating revenues and expenses, nonoperating revenues and expenses, capital contributions and the changes in net assets for the year ended December 31. The change in net assets combined with the previous year's net asset total, reconciles to the net asset total for the reporting period.

The Statements of Cash Flows report cash activities for the year resulting from operating activities, investing activities, and capital and related financing activities. The net result of these activities, added to the beginning of the year cash balance, reconciles to the total cash balance at the end of the year.

SUMMARY OF FINANCIAL HIGHLIGHTS

Net Assets

The Statements of Net Assets depict the Authority's financial position as of a point in time – December 31 – and include all assets and liabilities of the Authority. Net assets represent the residual interest in the Authority's assets after deducting liabilities. The Authority's assets exceeded liabilities by \$18.9 million at December 31, 2011, a \$1.2 million or 6.5% increase from 2010. Restricted net assets are \$9.1 million or 48.1% of total net assets. Restricted net assets represent resources that are available for a specific purpose as imposed by creditors, grantors, contributors, laws or regulations. Unrestricted net assets are \$22.6 million and may be used to meet the Authority's obligations. Unrestricted net assets are flat from the prior year.



SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Net Assets (Continued)

Table A-1 below contains a condensed summary of the Authority's total net assets at December 31.

Condensed Statement of Net Assets

Table A-1

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS:			
Current	\$ 12,403	\$ 13,048	\$ 20,004
Noncurrent	23,021	23,566	17,102
Capital	<u>40,564</u>	<u>44,060</u>	<u>47,415</u>
Total assets	<u>75,988</u>	<u>80,674</u>	<u>84,521</u>
LIABILITIES:			
Other	3,725	4,622	3,976
Long-term debt	<u>53,386</u>	<u>58,333</u>	<u>62,975</u>
Total liabilities	<u>57,111</u>	<u>62,955</u>	<u>66,951</u>
NET ASSETS			
Invested in capital assets, net of related debt	(12,821)	(14,273)	(15,560)
Restricted	9,084	9,375	9,823
Unrestricted	<u>22,614</u>	<u>22,617</u>	<u>23,307</u>
Total net assets	<u>\$ 18,877</u>	<u>\$ 17,719</u>	<u>\$ 17,570</u>

Assets and Liabilities

Cash and cash equivalents, a significant part of current assets, totaled \$10.3 million at December 31, 2011 and increased by \$449 thousand over 2010. The primary reason for this increase was the overall decrease in Accounts Receivable at December 31. Accounts receivable has decreased by \$1.5 million or approximately 47.3% over 2010 due primarily to the change year over year in the final invoices to the airlines. In 2011 the overall final adjustment to the airlines resulted in a refund of \$28 thousand, while in 2010 the overall final adjustment resulted in additional invoices totaling \$1.3 million. In 2010 the accounts receivable increased \$348 thousand or approximately 12.1% over 2009 due to the increase in the final invoices to the airlines. Accounts receivable is a component of current assets.

Capital assets and long-term debt are discussed elsewhere in this management's discussion and analysis.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Change in Net Assets

Overall between 2011 and 2009 total revenues have consistently exceeded expenses as shown by comparing the Income before Capital Contributions of \$968 thousand in 2011; \$229 thousand in 2010; and \$584 thousand in 2009. The comparative changes in revenues and expenses will be discussed following Table A-2 below.

Condensed Statements of Revenues, Expense, and Change in Net Assets

Table A-2

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:			
Landing and rental fees	\$ 16,932	\$ 16,597	\$ 16,653
Commissions	9,987	10,174	9,559
Other	<u>4,322</u>	<u>4,645</u>	<u>4,027</u>
Total operating revenues	<u>31,241</u>	<u>31,416</u>	<u>30,239</u>
OPERATING EXPENSES:			
Operating and maintenance expenses - Monroe County	15,395	16,790	14,862
Rent expense - Monroe County and other	4,815	4,640	4,172
Depreciation and amortization	<u>4,622</u>	<u>4,496</u>	<u>4,450</u>
Total operating expenses	<u>24,832</u>	<u>25,926</u>	<u>23,484</u>
NONOPERATING EXPENSES	<u>(5,441)</u>	<u>(5,261)</u>	<u>(6,171)</u>
Income before capital contributions	968	229	584
CAPITAL CONTRIBUTIONS, net	<u>190</u>	<u>(80)</u>	<u>(21)</u>
CHANGE IN NET ASSETS	<u>\$ 1,158</u>	<u>\$ 149</u>	<u>\$ 563</u>



SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

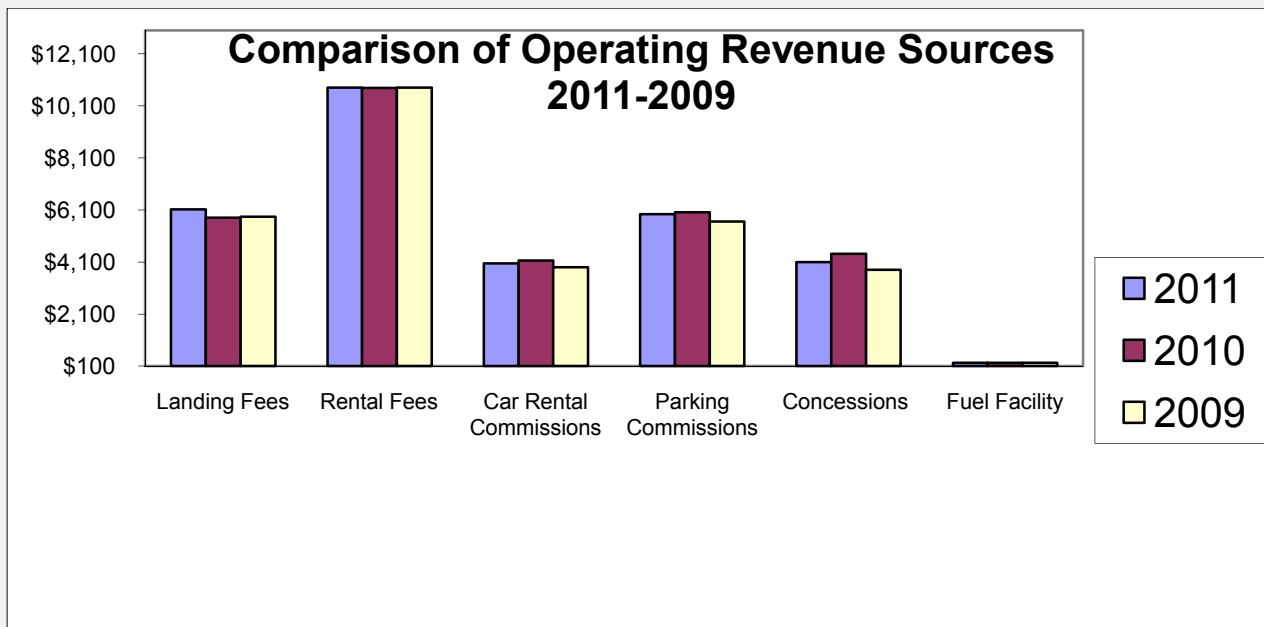
FINANCIAL ANALYSIS

Operating Revenues

In 2011 operating revenues decreased by \$175 thousand or 0.6% over 2010. The significant decreases in this category include parking commissions which decreased \$68 thousand or 1.1%, concessions which decreased \$323 thousand or 7.3%, and car rental commissions which decreased \$119 thousand or 2.9%. The decrease in parking commissions and concessions was primarily due to a decrease in passenger enplanements for 2011 of 4.65%. The decrease in car rental commissions was the result of a new agreement effective October 1st which resulted in lower minimum annual guarantees. The decrease of these non-airline revenues discussed above resulted in an increase to those fees charged to airlines. Landing fees increased \$317 thousand or 5.5% over 2010 and rental fees increased by \$18 thousand or .2% over 2010.

Comparatively, in 2010 operating revenues increased by \$1.2 million or 3.9% over 2009. The increase in operating revenue resulted from the increase in concession revenue of \$618 thousand; an increase in parking commissions of \$353 thousand due in part to an increase in parking rates; and a modest increase in car rental concession revenue of \$262 thousand due to a contractual increase in the minimum annual guarantee. These increases were offset by decreases in revenue for 2010 in landing fees of \$37 thousand and in rental fees of \$19 thousand.

The comparison of operating revenue sources is provided below.



	Landing Fees	Rental Fees	Car Rental Commissions	Parking Commissions	Concessions	Fuel Facility
2011	\$ 6,124	\$ 10,808	\$ 4,042	\$ 5,945	\$ 4,097	\$ 225
2010	\$ 5,807	\$ 10,790	\$ 4,161	\$ 6,013	\$ 4,420	\$ 225
2009	\$ 5,844	\$ 10,809	\$ 3,899	\$ 5,660	\$ 3,802	\$ 225

Nonoperating Revenue

The primary source of revenue in this category is interest earnings totaling \$82 thousand in 2011, \$131 thousand in 2010, and \$171 thousand in 2009. The decline in interest rates began in 2008; with a decrease in interest earnings of 37.4% in 2011 and 23.4% decrease in 2010.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

Operating Expenses

In 2011, operating expenses decreased by \$1.1 million or 4.2% when compared to 2010. Operating and maintenance paid to the County decreased by \$1.4 million or 8.3% due to a variety of cost saving measures implemented by the Airport in 2011. Personnel costs for overtime and shift differential decreased by nearly \$140 thousand; contractual services relating to energy conservation and other measures decreased by approximately \$750 thousand; and internal charges decreased by nearly \$212 thousand. Rent to the County increased by \$345 thousand or 12.1% due to an increase in debt service costs associated with current and prior capital projects at the Airport. Depreciation and amortization of capital assets increased by \$126 thousand or 2.8% over 2010 mainly due to additions of capital assets of \$1.1 million in both 2011 and 2010. Other operating expenses decreased by \$170 thousand or 9.4% due primarily to contractual obligations for professional services.

Comparatively, in 2010 operating expenses increased by \$2.4 million or 10.4% over 2009. Operating and maintenance expense paid to the County increased in 2010 by \$1.9 million. Rent expense paid to the County increased in 2010 by \$416 thousand due to the increase in debt service costs associated with current and prior capital projects at the Airport.



SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

Nonoperating Expenses

Nonoperating expenses in 2011 include the Authority's local share of capital projects reimbursed to the County of \$2.2 million, an increase of \$485 thousand (28.4%) from 2010, and the 2010 local share reimbursed was a decrease of \$667 thousand (28.1%) from 2009. The Authority's local share of 2.5% becomes due to the County when a capital project is completed. Below is a list of the projects completed and the Authority's local share (000's omitted):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Parking Improvements	\$ 777	\$ 545	\$ -
Facility Improvements	474	-	-
Green Energy Initiatives	464	-	-
Runway 4/22, 7/25 and 10/28 Rehabilitation	191	54	693
Environmental Improvements	149	102	224
Planning and feasibility	108	87	25
Taxiway and Other Airfield Improvements	28	509	543
Perimeter Security Improvements	1	3	-
Snow Removal and Other Equipment	-	225	889
Circulation Improvements	<u>-</u>	<u>182</u>	<u>-</u>
Total	<u>\$ 2,192</u>	<u>\$ 1,707</u>	<u>\$ 2,374</u>

The balance of the cost of each project after the Authority's local share is from state and federal sources paid to the County directly.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

For each of the years ended December 31, 2011, 2010 and 2009 the impact of recording depreciation and amortization is \$4.6 million in 2011, and \$4.5 million in 2010 and 2009, and is the primary reason for the decreases in capital assets of \$3.5 million (7.9%) in 2011; \$3.3 million (7.1%) in 2010; and \$4.1 million (8.0%) in 2009. In 2011 and 2010 the net decline in capital assets was slightly less due to the addition of capital assets of \$1.1 million for both years.

Leased

The Authority leases the Airport facilities, except those that were financed through the 1989 bond issuance, from the County. The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County, both prior and subsequent to the inception of the Authority, net of earnings on related debt service. These rental payments totaled \$3.2 million in 2011, \$2.8 million in 2010, and \$2.4 million in 2009.

Purchases and Retirements

Airport facilities improvements are planned and funded through the County's Capital Improvement Program. In 2011, the Authority invested \$1.1 million and retired \$15 thousand in assets that were fully depreciated. In 2010, the Authority invested \$1.1 million and retired \$150 thousand in assets that were fully depreciated. Year-end total cost was \$125.8 million at December 31, 2011, \$124.8 million at December 31, 2010, and \$123.8 million at December 31, 2009 (See Table A-3).

Summary of Capital Assets

Table A-3

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
December 31, 2009	\$ 123,782	\$ (76,367)	\$ 47,415
Increases	1,141	(4,496)	(3,355)
Decreases	<u>(150)</u>	<u>150</u>	<u>-</u>
December 31, 2010	124,773	(80,713)	44,060
Increases	1,126	(4,622)	(3,496)
Decreases	<u>(15)</u>	<u>15</u>	<u>-</u>
December 31, 2011	<u>\$ 125,884</u>	<u>\$ (85,320)</u>	<u>\$ 40,564</u>



SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

DEBT ADMINISTRATION

The Authority has long term debt outstanding of \$53.3 million in 2011, \$58.3 million in 2010, and \$62.9 million in 2009. Principal payments, net of unamortized bond discount and deferred amounts were \$5.3 million (9.9%) in 2011, \$5.1 million (8.6%) in 2010, and \$4.8 million (7.6%) in 2009.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2011, 2010 and 2009 decreased by \$5.3 million (5.4%) in 2011; \$5.1 million (5.3%) in 2010; and \$4.8 million (5.3%) in 2009. This decrease is also reflected in the decrease in the portion of net assets that is invested in capital assets net of related debt.

Summary of Long-Term Debt

Table A-4

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	\$ 41,855	\$ 45,880	\$ 49,695
Serial Bonds, issued in 2004, which refunded 1993 bonds	12,915	14,205	15,435
Unamortized bond discount	(102)	(130)	(159)
Deferred amount on refunding	<u>(1,282)</u>	<u>(1,622)</u>	<u>(1,996)</u>
Total long-term debt	<u>\$ 53,386</u>	<u>\$ 58,333</u>	<u>\$ 62,975</u>

More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS

Enplanement Activity

In 2011 the airlines continued to offset the high fuel prices by using smaller, lighter, and more fuel efficient aircraft. This, as well as other economic factors, resulted in a decrease in both enplanements and deplanements for the year. Enplanement numbers affect both operating revenues and Passenger Facility Charges (PFCs) and are used in the Aviation industry to rank the size of an airport. In 2010 the Greater Rochester International Airport ranked 79th nationally.

<u>Year</u>	<u>Ticketed Passenger Activity</u>		
	<u>Enplanements (Departing)</u>	<u>Deplanements (Arriving)</u>	<u>Total Passengers</u>
2011	1,209,746	1,199,708	2,409,454
2010	1,268,792	1,265,442	2,534,234
2009	1,287,552	1,283,553	2,571,105

Passenger Facility Charge (PFC) Fees

Enplanements affect the amount of PFC fees that are collected from the airlines each year. The more ticketed passengers flying from Rochester, the greater the amount of PFCs collected. During 2011, a total of \$5.1 million in PFC's were collected from airline passengers. Of these collections, the Authority contributed \$5.0 million to the County of Monroe (the County) towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of \$190 thousand as shown in Table A-2. In 2010, a total of \$5.3 million in PFCs were collected from airline passengers and of those collections, the Authority contributed all \$5.3 million, plus \$0.1 million of accumulated PFCs to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of (\$80) thousand. In 2009, a total of \$5.3 million in PFCs were collected from airline passengers, and of those collections the Authority contributed \$5.3 million to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of (\$21) thousand. A description of PFCs is provided in Note 2 of the financial statements, Passenger Facility Charges.

2005 Airline-Airport Use and Lease Agreement

Revenues from airlines are determined by annual calculations in accordance with the Signatory Airline Use and Lease Agreement, effective January 1, 2005. Therefore, the Landing Fees which are entirely paid by airlines and the Rentals (Table A-2) which are predominately paid by airlines are regulated by the annual Rates and Charges. At year-end, actual payments are reconciled to actual costs to determine the final amounts owed by the airlines. See Note 2 of the financial statements, Revenues and Expenses.



SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

2012 BUDGET

The Authority's 2012 budget has been approved and contains no significant changes from the operational results for 2011. No known matters exist at this time that would have a significant effect on the financial position of the Authority or on its expected results of operations for the coming year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Monroe County Airport Authority, at 1200 Brooks Avenue, Rochester, New York 14624 or through the website, www.MonroeCounty.gov.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010
(000's OMITTED)

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,263	\$ 9,814
Accounts receivable - net of allowance for doubtful accounts of \$100 in both 2011 and 2010, respectively	1,699	3,226
Due from Monroe County	<u>441</u>	<u>8</u>
Total current assets	<u>12,403</u>	<u>13,048</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	9,988	10,047
Cash and investments, which are restricted funds held by trustee - principal and interest fund	12,605	12,978
Capital assets, net	40,564	44,060
Bond issuance costs, net of accumulated amortization of \$1,734 and \$1,621 in 2011 and 2010, respectively	<u>428</u>	<u>541</u>
Total noncurrent assets	<u>63,585</u>	<u>67,626</u>
Total assets	<u>75,988</u>	<u>80,674</u>
CURRENT LIABILITIES:		
Accounts payable	494	995
Deferred revenue	245	369
Other liabilities	697	669
Accrued interest on bonds	1,503	1,653
Current maturities of long-term debt	5,625	5,315
Premium on bonds, net	587	743
Security deposits	<u>199</u>	<u>193</u>
Total current liabilities	9,350	9,937
LONG-TERM DEBT, net of current portion	<u>47,761</u>	<u>53,018</u>
Total liabilities	<u>57,111</u>	<u>62,955</u>
NET ASSETS:		
Invested in capital assets, net of related debt	(12,821)	(14,273)
Restricted -		
For debt service	5,477	6,008
For passenger facility projects	200	10
For other debt compliance	3,407	3,357
Unrestricted	<u>22,614</u>	<u>22,617</u>
Total net assets	<u>\$ 18,877</u>	<u>\$ 17,719</u>

The accompanying notes are an integral part of these statements.



MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(000's OMITTED)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:		
Landing fees	\$ 6,124	\$ 5,807
Rental fees	10,808	10,790
Car rental commissions	4,042	4,161
Parking commissions	5,945	6,013
Concessions	4,097	4,420
Fuel farm	225	225
	<u>31,241</u>	<u>31,416</u>
Total operating revenues	<u>31,241</u>	<u>31,416</u>
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	15,395	16,790
Rent - Monroe County	3,185	2,840
Depreciation and amortization of capital assets	4,622	4,496
Other	1,630	1,800
	<u>24,832</u>	<u>25,926</u>
Total operating expenses	<u>24,832</u>	<u>25,926</u>
Operating income	<u>6,409</u>	<u>5,490</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	82	131
Interest expense	(3,006)	(3,305)
Bad debt expense	-	(23)
Amortization of bond issuance costs, premiums and deferred losses	(325)	(357)
Local share of capital projects - Monroe County	(2,192)	(1,707)
	<u>(5,441)</u>	<u>(5,261)</u>
Total nonoperating revenues (expenses)	<u>(5,441)</u>	<u>(5,261)</u>
Income before capital contributions	968	229
CAPITAL CONTRIBUTIONS, net	<u>190</u>	<u>(80)</u>
CHANGE IN NET ASSETS	1,158	149
NET ASSETS - beginning of year	<u>17,719</u>	<u>17,570</u>
NET ASSETS - end of year	<u>\$ 18,877</u>	<u>\$ 17,719</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(000's OMITTED)

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 32,217	\$ 32,628
Cash paid to suppliers	<u>(20,683)</u>	<u>(20,491)</u>
Net cash flow from operating activities	<u>11,534</u>	<u>12,137</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(1,126)	(1,141)
Capital contributions, net	190	(80)
Payment of bond principal	(5,315)	(5,045)
Payment of bond interest expense	(3,156)	(3,442)
Withdrawals from trustee principal and interest fund	(12,605)	(12,978)
Deposits into trustee principal and interest fund	12,978	7,071
Local share of capital projects - Monroe County	<u>(2,192)</u>	<u>(1,707)</u>
Net cash flow from capital and related financing activities	<u>(11,226)</u>	<u>(17,322)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	<u>82</u>	<u>131</u>
Net cash flow from investing activities	<u>82</u>	<u>131</u>
CHANGE IN CASH AND CASH EQUIVALENTS	390	(5,054)
CASH AND CASH EQUIVALENTS - beginning of year	<u>19,861</u>	<u>24,915</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 20,251</u>	<u>\$ 19,861</u>
CLASSIFIED AS:		
Cash and cash equivalents	\$ 10,263	\$ 9,814
Restricted cash and cash equivalents	<u>9,988</u>	<u>10,047</u>
Total cash and cash equivalents	<u>\$ 20,251</u>	<u>\$ 19,861</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 6,409	\$ 5,490
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,622	4,496
Bad debt expense	-	(23)
Changes in:		
Accounts receivable	1,527	(348)
Deferred revenue	(124)	44
Due from Monroe County	(433)	1,568
Other current liabilities	<u>(467)</u>	<u>910</u>
Net cash flow from operating activities	<u>\$ 11,534</u>	<u>\$ 12,137</u>

The accompanying notes are an integral part of these statements.



MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(000's Omitted)

1. ORGANIZATION

The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate, and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County. The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority board, which is approved by the County Legislature on the recommendation of the County Executive. The chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The County Attorney serves as Secretary of the Authority. The Authority leases the Greater Rochester International Airport (the Airport) from the County and operates under the terms of a trust indenture (the indenture) dated September 15, 1989, as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Authority has elected not to follow subsequent private sector guidance.

Basis of Presentation

GASB requires the classification of net assets into three classifications defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted net assets - This component of net assets consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This component consists of net assets that do not meet the definition of "invested in capital assets, net of related debt", or "restricted".

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The Authority's principal sources of revenue are landing fees and terminal rentals from airlines using the Airport, car rental commissions, parking, and concession fees. Revenues are recognized upon provision of services. The Authority contracts with certain airlines via a signatory agreement that defines the use of, and rates charged for, airport space and facilities. Rates charged by the Authority to the airlines are intended to recover total budgeted operating costs, as defined by the signatory agreement, which excludes depreciation and amortization and accrued interest; but, includes principal and interest paid on related debt. At the end of each fiscal year, the budgeted amounts are reconciled with actual costs incurred and any resulting receivable or payable is settled with the signatory airlines. This revenue is recorded in accordance with agreements between the Authority and the airlines that will expire on December 31, 2012.

Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting these classifications are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit, money market funds, and U.S. Government securities. Cash and cash equivalents are stated at cost, which approximates fair value.

Investments

The Authority's investments consist of U.S. government obligations. Investments are stated at cost, which approximates fair value. Investment instruments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the accompanying financial statements.

Capital Assets

The Airport facilities, except those that were financed through the 1989 bond issuance, are owned by the County and leased to the Authority (Note 4). Facilities owned by the County (and the related debt) are not recorded in the Authority's financial statements but are recorded by the County. The Authority capitalizes facilities, property, and equipment acquired at an original cost greater than \$2.5 thousand and a useful life greater than one year. The County carries insurance coverage on the facilities, property and equipment, which includes minimal deductible payments. Amortization for improvements to the leased airport facilities is provided on a straight-line basis over the shorter of useful life or the remaining term of the lease from the time of acquisition. Depreciation and amortization is computed primarily on a straight-line basis over the estimated useful lives of the property and equipment, which range from two (2) to twenty (20) years.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. The PFCs that the Authority has been authorized by the FAA to collect are as follows:

<u>Rate</u>	<u>Effective Date</u>	<u>FAA Approved</u>
\$3.00	December 1, 1997	September 1997
\$3.00	April 1, 2004	November 1997
\$4.50	September 1, 2004	June 2004
\$4.50	September 1, 2013	July 2006

PFCs may only be collected one at a time and must be collected in consecutive order of their approval. The excess (deficit) of amounts collected over amounts expended in each year is recorded as capital contributions in the statements of revenues, expenses and change in net assets. Cumulative amounts collected, yet unexpended at December 31, are reflected as net assets restricted for passenger facility projects in the statements of net assets.

Deferred Bond Costs

Bond premiums, discounts, issuance costs, and the deferred amount on refinancing related to the issuance of the debt obligations are amortized over the terms of the respective bonds using a level yield method of amortization. Amortization in 2011 and 2010 was \$325 and \$357, respectively.

Taxes

As a public benefit corporation, the Authority is exempt from Federal and state income taxes, as well as from state and local property and sales taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The guidelines established by the Authority permit the investment of funds held by the Authority and funds held in trust for the Authority to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, except repurchase agreements and direct purchases of obligations of New York State or its political subdivisions or guaranteed by the federal government, to be at least 101% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. The policy does not address credit risk specifically; however, risk associated with these investments has been minimized by the fact that they are held in a trust separate from the custodian's assets, which could be claimed by creditors.

Bank accounts at December 31, 2011 and 2010 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2011 and 2010 are held by the Authority's agents in the Authority's name.

Cash equivalents (not including depository accounts) and investments that are unrestricted and those restricted as to use but maintained by the Authority consisted of the following for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Money market	\$ <u>17,134</u>	\$ <u>17,341</u>

At December 31, 2011 and 2010, money market funds were held by Bank of America and Manufacturers and Traders Trust (M&T). Bank of America was rated P-1 for short-term investments by Moody's Investors Service (Moody's) while M&T had no similar short-term investment rating, although its deposits are rated A2/P-1 by Moody's.

Custodial Credit Risk

For cash deposits or investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. United States Treasury obligations are exempt because they are backed by the United States government. The Authority's collateral related to the above is as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
FDIC	\$ 3,418	\$ 3,011
Collateralized by securities held by pledging financial institution	<u>17,312</u>	<u>17,329</u>
	<u>\$ 20,730</u>	<u>\$ 20,340</u>



3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The following deposits, excluding those held by the trustee, held with one financial institution represent five percent or more of the Authority's total deposits subject to credit risk at either December 31, 2011 or 2010, or both:

	<u>2011</u>	<u>2010</u>
M&T	\$ 15,095	\$ 15,299
Bank of America	\$ 2,244	\$ 2,241

Funds Held By Trustee

Cash and investments that are restricted include funds required to be maintained by the trustee pursuant to the indenture related to the various bond issues of the Authority and are uncollateralized. Assets held by the trustee consisted of the following for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Cash	\$ 7,128	\$ 6,408
U.S. Treasury bills	<u>5,477</u>	<u>6,570</u>
	<u>\$ 12,605</u>	<u>\$ 12,978</u>

4. TRANSACTIONS WITH MONROE COUNTY

Operating and Maintenance Expense

The Authority and the County entered into a lease and operating agreement in September 1989. The leased property includes all of the County's right, title, and interest in the Airport. Under this agreement, the County is to administer and operate the Airport. In return, the Authority is to reimburse the County for expenses incurred in the administration and operation of the Airport. All such expenses including payroll and related costs are reimbursed by the Authority using the accrual basis of accounting. Upon expiration or early termination of the lease term, the Airport reverts to the County. The lease expires 30 days after repayment of the Airport revenue bonds, which are scheduled to be repaid by January 1, 2019. Amounts due to/from Monroe County represent the net balances pursuant to the agreement.

4. TRANSACTIONS WITH MONROE COUNTY (Continued)

Rent Expense

The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2011 and 2010, the rental payments totaled \$3,185 and \$2,840, respectively. Estimated future minimum rental payments are as follows at December 31:

2012	\$	2,688
2013		2,662
2014		2,673
2015		2,592
2016		2,069
2017 - 2021		8,339
2022 - 2026		5,705
2027 - 2029		<u>2,461</u>
	\$	<u>29,189</u>

The above schedule presumes that the Authority's lease will continue beyond the lease's current expiration date.

In 2005, resolution number seventeen was passed by the Authority requiring the Authority to pay interest on funds advanced by the County that is based on the County's expected return on other short-term investments. In 2011 and 2010, the Authority did not receive advances from the County, and therefore no interest payments were made in 2011 or 2010.



5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ 498	\$ -	\$ -	\$ 498
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	122,265	753	-	123,018
Office furniture and equipment	1,084	228	-	1,312
Transportation equipment	<u>926</u>	<u>145</u>	<u>(15)</u>	<u>1,056</u>
Total capital assets, being depreciated or amortized	<u>124,275</u>	<u>1,126</u>	<u>(15)</u>	<u>125,386</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(79,772)	(4,420)	-	(84,192)
Office furniture and equipment	(432)	(100)	-	(532)
Transportation equipment	<u>(509)</u>	<u>(102)</u>	<u>15</u>	<u>(596)</u>
Total accumulated depreciation	<u>(80,713)</u>	<u>(4,622)</u>	<u>15</u>	<u>(85,320)</u>
Capital assets being depreciated or amortized, net	<u>43,562</u>	<u>(3,496)</u>	<u>-</u>	<u>40,066</u>
Capital assets, net	<u>\$ 44,060</u>	<u>\$ (3,496)</u>	<u>\$ -</u>	<u>\$ 40,564</u>

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ <u>498</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>498</u>
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	121,530	735	-	122,265
Office furniture and equipment	972	116	(4)	1,084
Transportation equipment	<u>782</u>	<u>290</u>	<u>(146)</u>	<u>926</u>
Total capital assets, being depreciated or amortized	<u>123,284</u>	<u>1,141</u>	<u>(150)</u>	<u>124,275</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(75,416)	(4,356)	-	(79,772)
Office furniture and equipment	(353)	(83)	4	(432)
Transportation equipment	<u>(598)</u>	<u>(57)</u>	<u>146</u>	<u>(509)</u>
Total accumulated depreciation,	<u>(76,367)</u>	<u>(4,496)</u>	<u>150</u>	<u>(80,713)</u>
Capital assets being depreciated or amortized, net	<u>46,917</u>	<u>(3,355)</u>	<u>-</u>	<u>43,562</u>
Capital assets, net	\$ <u>47,415</u>	\$ <u>(3,355)</u>	\$ <u>-</u>	\$ <u>44,060</u>



6. LONG-TERM DEBT

Series 1993 and 2004 Bonds

In June 1993, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs, were used to purchase U.S. Government securities to refund the 1989 Series Bonds, including an additional reserve requirement representing a deferred amount on refunding. The deferred amount on the refunding was being amortized over the term of the 1993 Series Bonds.

In March 2004, the Authority issued Revenue Refunding Bonds to refund the outstanding 1993 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities. The transaction resulted in a deferred amount on refunding to the Authority related to the difference between the reacquisition price and the net carrying amount of the 1993 Series Bonds at the date of issuance of the 2004 Series Bonds of \$2,112. This deferred amount on refunding is being amortized over the term of the Series 2004 Bonds.

The Series 2004 Bonds maturing after January 1, 2015, are subject to redemption by the Authority, in whole or in part, at any interest payment date on or after January 1, 2014.

Series 1989 and 1999 Bonds

In October 1999, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities to refund the 1989 Series Bonds.

The 1989 Series Bonds were the original debt issuance pursuant to the indenture, the purpose of which was to provide financing for the original construction of the Airport.

The 1999 Series Bonds are not subject to redemption prior to their maturity.

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from \$300 to \$6,330 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	\$ 45,880	\$ -	\$ (4,025)	\$ (4,260)	\$ 37,595
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$980 to \$1,860 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	14,205	-	(1,290)	(1,365)	11,550
Less: Unamortized bond discount	(130)	-	28	-	(102)
Less: Deferred amount on refunding	<u>(1,622)</u>	<u>-</u>	<u>340</u>	<u>-</u>	<u>(1,282)</u>
Long-term debt	<u>\$ 58,333</u>	<u>\$ -</u>	<u>\$ (4,947)</u>	<u>\$ (5,625)</u>	<u>\$ 47,761</u>



6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bonds issued as part of the 1999 refunding:					
Serial bonds maturing in annual amounts ranging from \$300 to \$6,330 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	\$ 49,695	\$ -	\$ (3,815)	\$ (4,025)	\$ 41,855
Bonds issued as part of the 2004 refunding:					
Serial bonds maturing in annual amounts ranging from \$980 to \$1,860 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	15,435	-	(1,230)	(1,290)	12,915
Less: Unamortized bond discount	(159)	-	29	-	(130)
Less: Deferred amount on refunding	<u>(1,996)</u>	<u>-</u>	<u>374</u>	<u>-</u>	<u>(1,622)</u>
Long-term debt	<u>\$ 62,975</u>	<u>\$ -</u>	<u>\$ (4,642)</u>	<u>\$ (5,315)</u>	<u>\$ 53,018</u>

All outstanding Revenue Bonds were issued under the terms of a universal indenture agreement. The indenture pledges certain revenues and other income collected by the Authority, primarily for payment of principal and interest on the bonds. The indenture also requires the establishment of various trust funds to be held by the trustee and by the Authority.

Management believes the Authority is in compliance with all covenants under the indenture. The Authority is required to maintain at a minimum, certain financial ratios and balances, as defined in the agreements. The required and actual ratios and balances consisted of the following at December 31:

	<u>2011</u>		<u>2010</u>	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Net revenue to debt service	1.25:1	1.72:1	1.25:1	1.53:1
Debt service reserve requirement	\$ 5,477	\$ 12,605	\$ 6,008	\$ 12,978
Operating and maintenance reserve requirement	\$ 2,907	\$ 3,326	\$ 2,857	\$ 2,966
Renewal and replacement requirement	\$ 500	\$ 5,562	\$ 500	\$ 6,203

6. LONG-TERM DEBT (Continued)

The excess of actual renewal and replacement funds over the required amount is primarily due to funds transferred into the renewal and replacement fund for the purchase of capital expenditures.

The indenture between the Authority and the trustee dated September 15, 1989, as amended, provides for the creation and maintenance of several bank subaccounts related to the debt issues. These subaccounts are aggregately reflected as a part of net assets in the accompanying statement of net assets. A brief description of each of these subaccounts is as follows:

- Revenue Account - Represents revenues of the Authority, net of certain transfers to the other accounts created under the indenture. The amounts designated for this account are included in unrestricted cash and cash equivalents in the accompanying statements of net assets.
- Principal and Interest Account - Represents amounts required to be reserved for debt service for each respective bond issue. The amounts designated for this account are reported as assets that are restricted funds, held by trustee in the accompanying statements of net assets.
- Construction Account - Represents an account required to be held by the trustee. The trustee establishes a separate project account for each construction project. The amounts designated for this account, to the extent that there are any, are reported as assets, that are restricted funds, held by trustee in the accompanying statements of net assets.
- Renewal and Replacement Account - Represents funds for anticipated capital expenditures. The amounts designated for this account are reported as a component of restricted cash and cash equivalents in the accompanying statements of net assets.
- Operating and Maintenance Reserve Account - Represents amounts to be reserved for at least one-sixth of the budgeted operating and maintenance expenses for the succeeding fiscal year. The amounts designated for this fund are reported as a component of restricted cash and cash equivalents in the accompanying statements of net assets.
- Surplus Account - Represents amounts defined by the indenture that are subject to use by the Authority, including transfers to other accounts, as appropriate.

Other

Payment of the principal and interest on the Authority's bonds is insured by the Municipal Bond Investors Assurance Corporation.

Maturities of revenue bonds for the fiscal years after December 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,625	\$ 2,848	\$ 8,473
2013	5,945	2,522	8,467
2014	6,275	2,178	8,453
2015	6,625	1,825	8,450
2016	6,990	1,459	8,449
2017 - 2019	<u>23,310</u>	<u>1,949</u>	<u>25,259</u>
	<u>\$ 54,770</u>	<u>\$ 12,781</u>	<u>\$ 67,551</u>

7. CAPITAL CONTRIBUTIONS

Of the \$98,371 that the Authority is authorized to collect in PFCs, \$63,195 and \$58,049, respectively, has been collected through December 31, 2011 and 2010. The net of collections, interest and expenditures is recorded as capital contributions.

	<u>2011</u>	<u>2010</u>
Balance - beginning of year	\$ 10	\$ 90
Collections	5,147	5,284
Interest earnings	1	1
Expended	<u>(4,958)</u>	<u>(5,365)</u>
Balance - end of year	<u>\$ 200</u>	<u>\$ 10</u>

As of December 31, 2011 and 2010, \$200 and \$10, respectively, are reflected as restricted net assets for passenger facility projects in the statement of net assets.

8. CONCENTRATIONS

In 2011, six signatory airlines accounted for approximately 39% and 65% of the landing and rental fee revenues, respectively. The same six signatory airlines accounted for approximately 19% of the total accounts receivable in 2011.

In 2010, eight signatory airlines accounted for approximately 38% and 78% of the landing and rental fee revenues, respectively. The same eight signatory airlines accounted for approximately 38% of the total accounts receivable in 2010.

Car rental commission revenue is generated from seven agencies, one of which accounted for approximately 25% and 24% of such revenue in both 2011 and 2010.

9. CONTINGENCIES

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

10. LEASE AGREEMENTS

The Authority maintains certain noncancellable lease agreements with various customers for terminal and other space that expire at various dates through 2037. The amounts expected to be collected under these agreements are as follows for the years ended December 31:

2012	\$	896
2013		896
2014		898
2015		830
2016		722
2017 - 2021		2,419
2022 - 2026		1,923
2027 - 2031		1,488
2032 - 2036		1,095
2037		<u>219</u>
	\$	<u>11,386</u>

The above schedule presumes that the Authority's lease with the County will continue beyond current expiration date, which is January 1, 2019.

11. MANAGEMENT AGREEMENT

On January 1, 2007 the Authority entered into a five (5) year contract with MAPCO Auto Parks LTD., as an Agent, to manage the public parking facilities at the Greater Rochester International Airport through December 31, 2011. The Authority has renewed this contract for an additional three years through December 31, 2014. The Authority has the option to renew for one additional three year term after December 31, 2014. Under the terms of this Agreement, the Authority retains the right to establish parking rates. The Agent manages all public parking facilities including a three story structural parking garage; a short term and a weekly lot, and an on Airport shuttle lot, several employee lots; as well as economy shuttle lots located in close proximity to the Airport terminal. The Agent operates and maintains the Airport parking facilities in accordance with the terms of this agreement. The Agreement provides that certain approved expenses are the responsibility of the Agent. The contract also provides the management fee calculation based upon the gross revenues per month. Management fees paid to the Agent for the years ending December 31, 2011 and 2010 were \$591 thousand, and \$584 thousand, respectively.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 28, 2012

To the Members of
Monroe County Airport Authority:

We have audited the financial statements of the business-type activities of Monroe County Airport Authority (the Authority) (a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York) as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the members of the Authority, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP



